

## ***E-COST: Creating Opportunities for Savings Tool***

### **Abstract**

“Environmental Accounting” is an approach to the financial analysis of business decisions, which recognizes that many environmental costs are often overlooked. In recent years, Environmental Accounting has gained attention as an effective tool for improving the profitability of businesses by focusing attention on these costs.

Currently, firms wishing to implement environmental accounting are largely on their own with regards to setting up the appropriate accounting and data collection procedures and the software applications necessary to make sense of the data. For small firms in particular, the potential benefits of implementing environmental accounting principles are seemingly offset by the initial barrier of creating the accounting system needed to support it. Simply put, many small businesses cannot justify changing their business practices solely to accommodate environmental accounting. What is needed are the tools to integrate environmental accounting concepts into the managerial accounting software already in use by the small business community.

The benefits of such a tool to small business are:

- ◆ Improved information to increase eco-efficiency and environmental performance.
- ◆ Financial justification for pollution prevention and environmental initiatives.
- ◆ Increased awareness of the full environmental costs associated with manufacturing, and an improved basis for decision-making about resource use.
- ◆ Improved basis for understanding environmental impacts on the bottom line.

Recognizing that such tools don't currently exist, the Environmental Accounting Project has embarked on a project to work with commercial software providers to modify existing accounting software to provide environmental accounting functions, E-COST.

The Environmental Accounting Project in partnership with M.Y.O.B Inc., provider of commercial small business accounting software, will develop, market and distribute an environmental accounting add-in called E-COST to be used with and in the context of both manufacturers commercial small business accounting software. E-COST will allow small business owners to identify, track, monitor and manage their environmental costs. It will encourage the effective management of

environmental costs such as materials use/loss, regulatory compliance (i.e. permits, pollution control installation/maintenance), pollution prevention initiatives etc. E-COST is designed to be used as a part of a business' daily accounting program thereby providing a systematic, continuous and updated source of information about the costs of the business' environmental impact of its operational activities. The Environmental Accounting Project is striving to provide small business owners with means to better identify financially-sound pollution prevention alternatives to existing practices. E-COST will assist in this effort.

# **Achieving Improved Environmental Performance Through Better Accounting**



## **Environmental Accounting Project**

USEPA

**1999 Tools for Sustainability Workshop**

**February 17-18, 1999**

## **About the EPA's Environmental Accounting Project**

### **The Project's Mission:**

*"To encourage and motivate business to understand the full spectrum of their environmental costs, and integrate these costs into decision making."*

## What is Environmental Accounting?

- **Environmental management accounting** is the process of identifying, collecting, and analyzing environmental information principally for internal purposes. The information collected under a business's management accounting system can be used to plan, evaluate, and control business decisions in a variety of ways.
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## How Environmental Accounting Can Support P2

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- **Provides financial incentive for environmentally preferable investments**
- **Demonstrates financial benefits of P2**
- **Improved environmental performance**
- **Part of Environmental Management System**
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## **Benefits of Environmental Accounting to Business**

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- **Increased awareness of the full costs of business operations**
- **Improved Environmental Cost Information**
- **Cost Effective Environmental Performance**
- **Improved resource/materials efficiency**

## **Providing a Tool for Industry**

- **Small firms are on their own**
- **Lack of accessible expertise and support**
- **Benefits offset by barriers of implementing a brand new system**
- **Few tools to assist in the process**
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## EAP's Response: E-COST

- **Environmental Accounting Extensions**

- Fully integrated into existing small business software
- Provides instruction in basic concepts of Environmental Accounting
- Provides access to resources and support via the Internet
- Provides guidance in implementation
- Is relevant and easy to use
- Can be General or Industry Specific
- Systematic, continuous and updated source of information
- Enhances effective cost management

## E-COST: Creating Opportunities for Savings Tool



## **E-COST: Project Partners**

- **Under a Cooperative Research and Development Agreement (CRADA), the Environmental Accounting Project (EAP) partnered with**
  - **Best!Ware Inc.**
    - M.Y.O.B. Accounting
  - **Peachtree Inc.**
    - Peachtree Complete
- **In an effort to make sure that the resulting software was both relevant and useful, the EAP recruited the involvement of the following organizations:**
  - **Trade Associations**
  - **Small Business Development Centers**
  - **Tech. Asst. Providers**
  - **Experts in:**
    - P2,
    - Environmental Acctg.
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## **E-COST: Project Rationale**

- **Commercial accounting (general ledger) software is used on daily basis**
  - extensive installed customer base
  - huge potential market
  - central tool in day-to-day management
  - established marketing and distribution
  - Validity of coming from private sector
- **Provides an effective channel for introducing Environmental Accounting concepts to small business**

## About this Project:

### Benefits

- **Small Business**
  - Better business cost management
  - Cost/benefit analysis of P2, alternative tech etc.
  - Increased Information
  - Meet environmental goals cost effectively
- **EPA**
  - Improved Environmental Performance (all three)
  - Promoting Pollution Prevention
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- **Increased environmental performance**
- **Provide information on available resources**

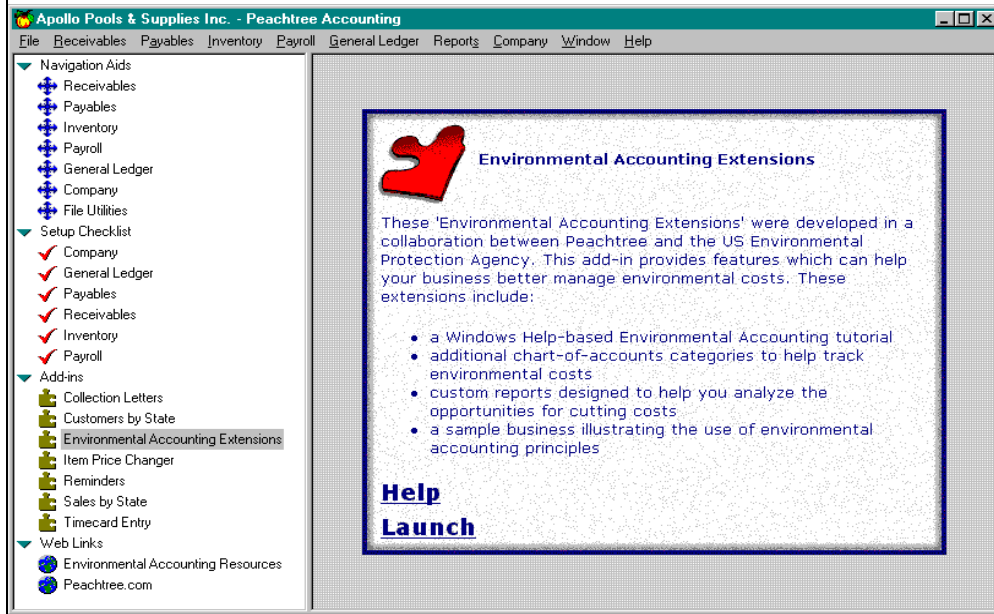
## About this Project:

### Better Management Information Tool

- E-COST is designed to be used as a part of a business' daily accounting program to provide a continuous, systematic and updated sources of information about the environmental costs of business operations.
- **Environmental Cost Information**
- **Reference Material**
  - Small Business Support
  - Pollution Prevention
  - Compliance
- **Online Support**



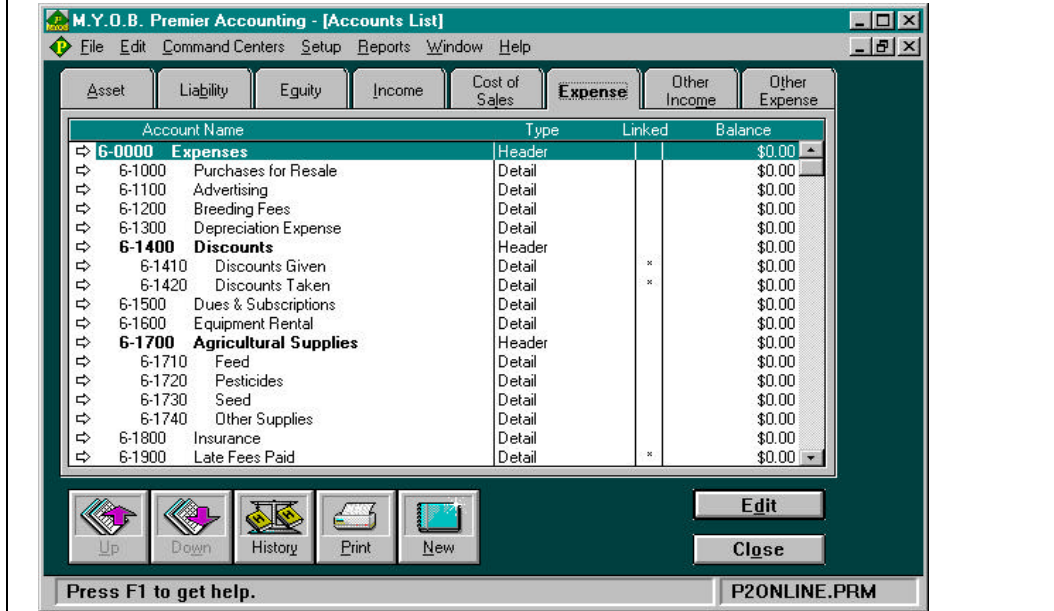
# E-COST: Environmental Accounting Extensions to Small Business Software



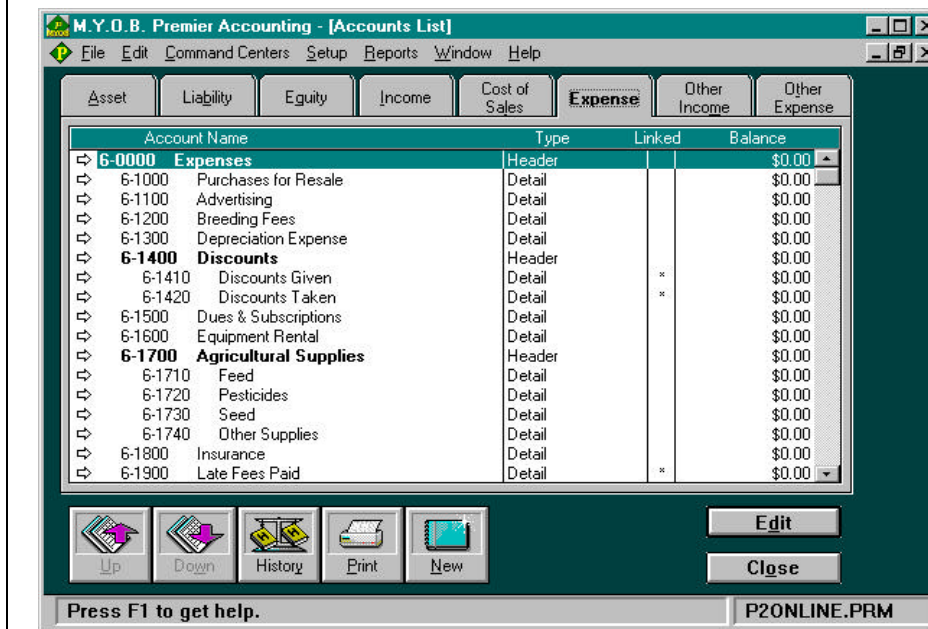
## E-COST: Features

- **Custom “charts of accounts” - general environmental costs**
- **Custom “charts of accounts” - industry-specific**
- **Custom reports for managerial review of environmental costs**
- **Custom estimation templates, “wizards” to include environmental costs in cost estimation and invoicing**
- **Custom “help” file and on-line information on EA resources**
- **Custom inventory function to do basic materials tracking**
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## E-COST: New Feature - Charts of Accounts



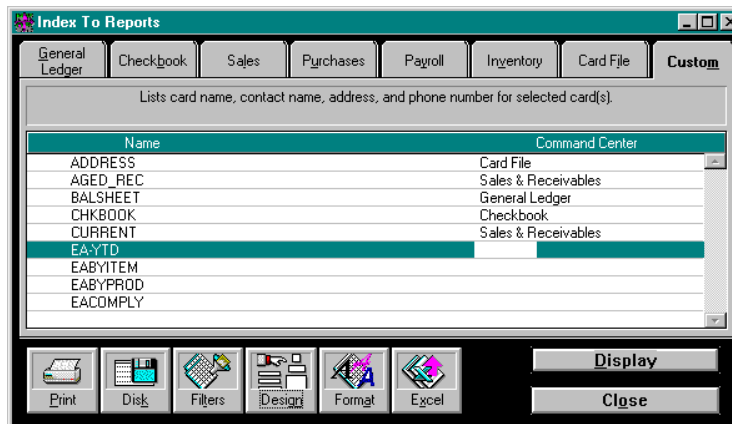
## E-COST: New Feature - Charts of Accounts



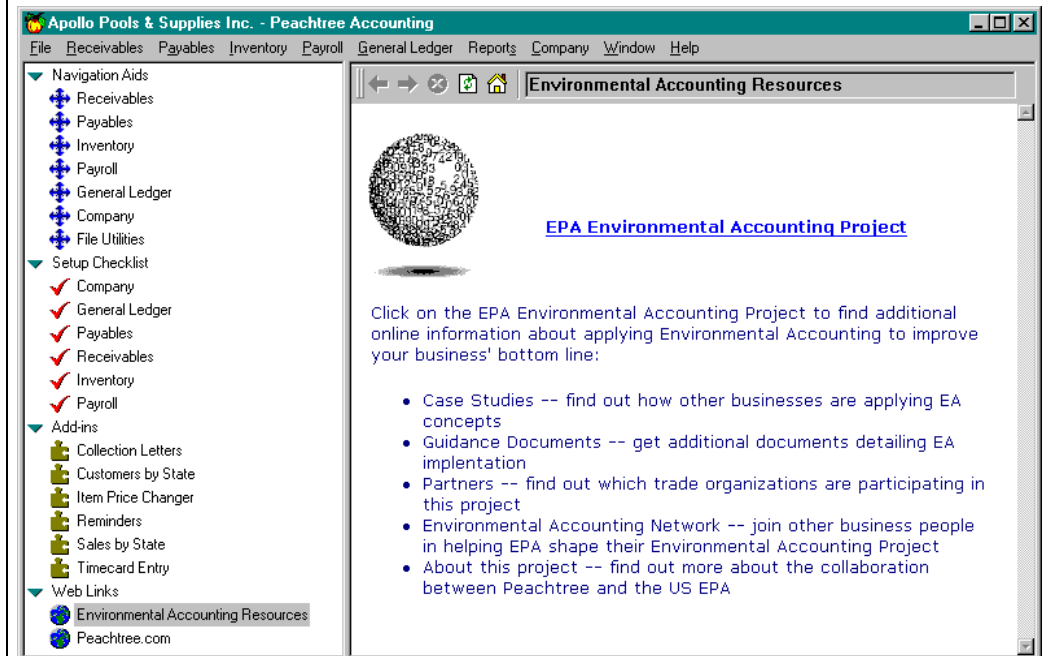
## E-COST: New Features- Reporting

- Environmental Information in multiple formats

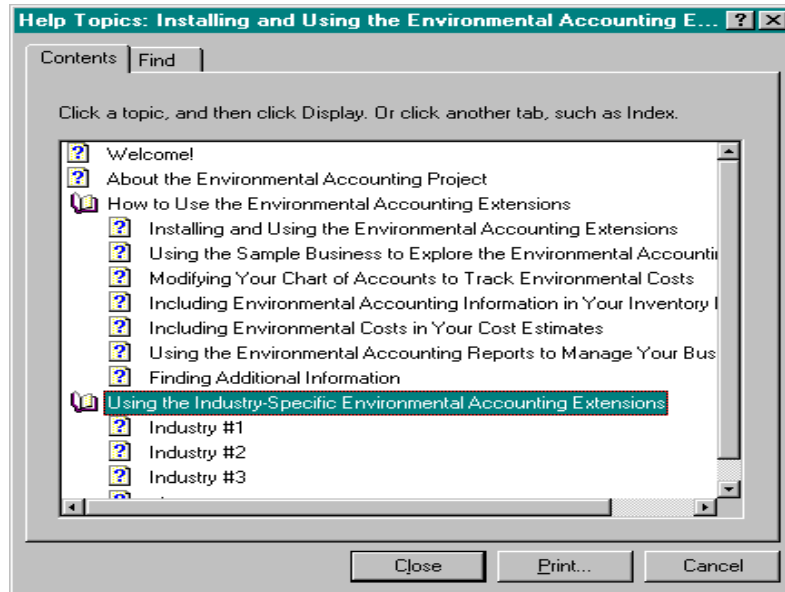
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## E-COST: New Feature- Web Integration



## E-COST: New Feature- EA Tutorial



## E-COST: New Features

- **Inventory/ Materials Accounting**
- **Sample Businesses**
- **Program Set-up**
- **Energy Efficiency**
- **Software Connections**
  - Capital Budgeting (P2/Finance)
  - Report Writer
  - Pollution prevention
  - Process Mapping
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## **E-COST: New Features- Industry Specific**

- **Industry Specific Guidance**
  - Charts of Accounts
  - Reports
  - Help System
  - Web Integration
  - Inventory
  - Sample Businesses
- **More Step by step instruction**

## **Project Outreach: Leveraging EPA's Investment**

- **Outreach Activities**
  - Sponsoring training
  - Establishing internet resource center & Internet marketing
  - Using direct mail to new and established users
  - Developing promotional material
  - Connecting with multiple organizations for additional efforts
  - Facilitating "earned" media
  - Developing a product "look" and "identity"
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## **Wrap-up and Next Steps**

- **Develop Industry Version**
- **Product review**
- **Beta Testing**
- **Outreach**
- **Training for service providers**
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